

# Business Structure Conceptual Changes

Stakeholder Briefing

April 2000

# Purpose

- Inform you of the proposed changes to the business information structure envisioned with BMIS-FM and associated changes to business processes
- Solicit feedback on proposed changes

# Problems with Current System/Structure

- Doesn't adequately support DOE project management initiative
- Does not comply with GPRA (Government Performance Results Act)
- Lacks flexibility for programs and field
- Does not allow for reporting/managing consistent with the DOE Strategic Plan (e.g. by Business Line)
- 20+ year old technology/design
- Numerous and costly workarounds have been instituted to get the job done

# Problems with Current Systems/Structure - continued

- Requires significant effort to recast data for routine changes
- Providing information (especially contractor information) to Congress is problematic

# Premise

- A new DOE wide financial system (BMIS-FM) presents us the opportunity to make improvements in the DOE business information structure and associated business processes

# Highlights of Business Structure Changes

1. **A hierarchical DOE Programmatic Structure (DPS)** will be used to manage work in accordance with the DOE strategic plan and to enhance the flexibility of the program offices and the field.
2. **The Programmatic Structure hierarchy will be driven by work management,** free of imbedded logic for organization, cost element (object class), and funding differentiation. This reduces recasts and resolves many of the problems with the present Budget and Reporting Classification Codes.
3. **A Project Number** will be the lowest level in the formal DOE Programmatic Structure hierarchy and the basic building block for all cost and commitment reporting (but Budget Authority may be held at a higher level).
4. **There will be multiple organizational dimensions** for each level of the programmatic structure (e.g., budget resources, commitments, obligations, and costs will be reportable by the Authorizing (Funding) Organization, the Executing DOE Organization/Office and by Major Operating Contractor).

# Highlights of Business Structure Changes- continued

5. **A Task Authorization** will be the mechanism for Programs to authorize work scope and Budget Authority (BA) for major operating contractors (via the responsible DOE Field Organization). It will be used to produce financial plans for contractors and to support contract modifications.
6. **Discretionary Budget Authority** to allow further programmatic structure granularity can be granted by the Program Offices at any level of the field structure and may be passed to the major operating contractor (through the field office, if appropriate). This maintains current Program Office authorization flexibility.
7. **Limited Cost Element Data** will be provided by major operating contractors.
8. **A Local WBS** (optional) will allow for a Field Office determined crosscutting structure at the project level for work management/reporting (e.g., a Field Office can have a reporting structure to manage across missions/ Assistant Secretaries)

# B&R Structure vs. New Business Structure

## Current B&R Hierarchy \*

Program

Sub-Program

Category

Task

Sub Task

\* As currently defined in B&R publications

## New Programmatic Structure Hierarchy

Business Line

Objective

Decision Unit

Program Office Level(5)\*\*

Field Level (DOE/Contractor) (2) \*\*\*

Project

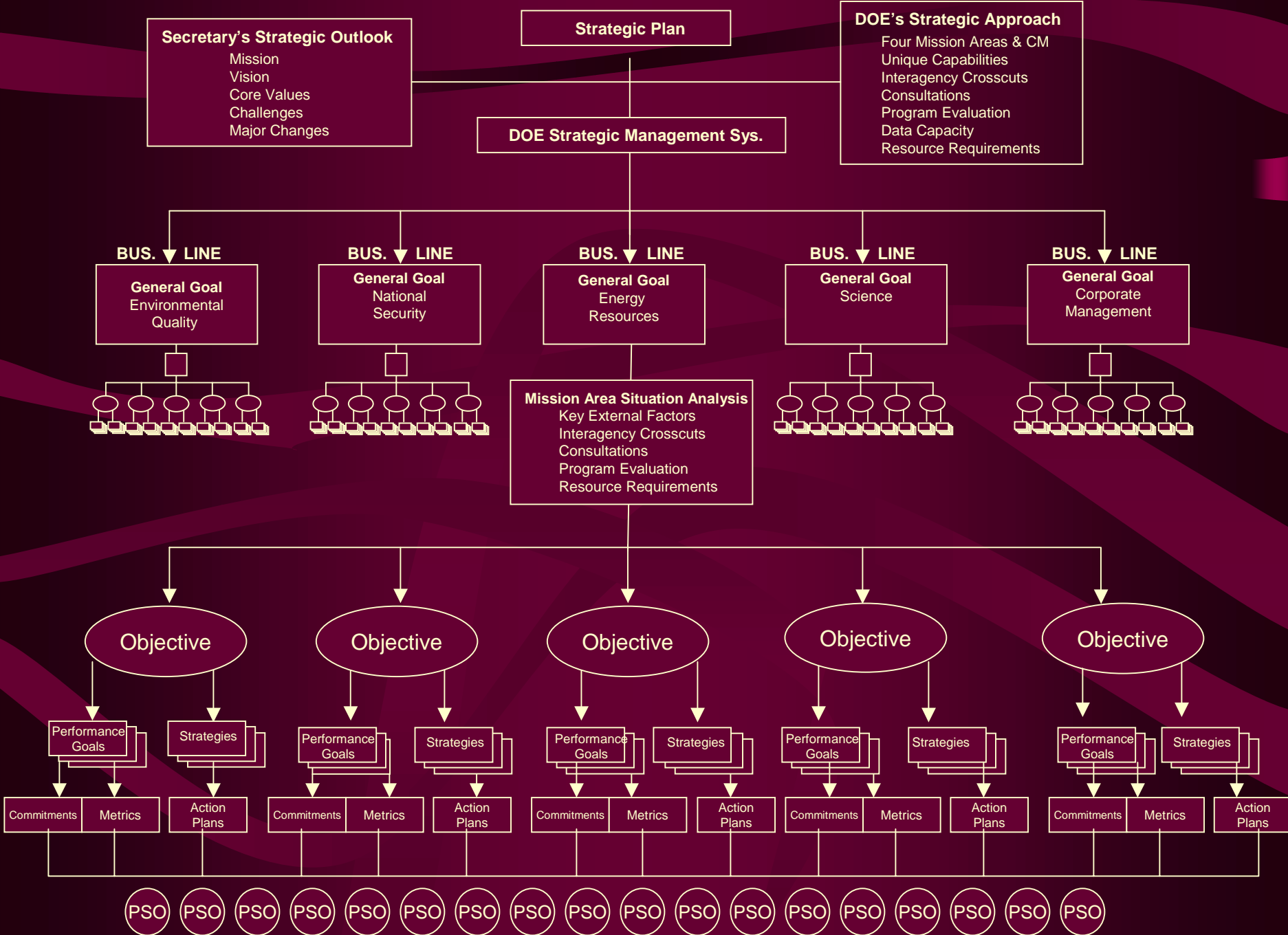
\*\* Only one level required. Five levels are provided to ease the transition from B&Rs and to accommodate parallel testing .

\*\*\* One or more levels optional at discretion of Field Office and/or contractor.

**Note: New Programmatic Structure can easily be modified to reflect changes in DOE's Strategic Plan**



# Strategic Plan Model



# Applicability

- Direct access to BMIS-FM data would be by DOE (headquarters & field)
- Data provided to BMIS-FM would be from DOE and all extensions of DOE
  - Includes major operating contractors/GOCO's
    - M&O's and M&I's, whether integrated or not
    - Represents ~70% of DOE's budget
  - Excludes support contractors, Power Marketing Administrations and the Federal Energy Regulatory Commission

# Project Level Attributes

- Tracking mechanism for a given work scope
- Associated with a specific output or deliverable
- Used both for internal DOE efforts and work by major contractors (M&O/M&I)
- Unique number assigned by DOE and remains constant for the life of the task or project
- Basic building block for commitment, obligation, and cost reporting
- Used as shortcut code for the entire Programmatic Structure (i.e., the structure up to business lines including responsible organization can be derived)
- No higher than the lowest Program Office level and the lowest Field Office DBS level (if used)

# Proposed DOE Programmatic Structure (DPS)

Budget Authority (BA) Distribution Example

## Business Lines



## Corporate Levels



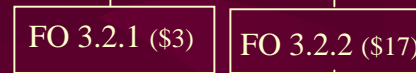
Assumption: Strategy level in Strategic Plan equates to Decision Unit



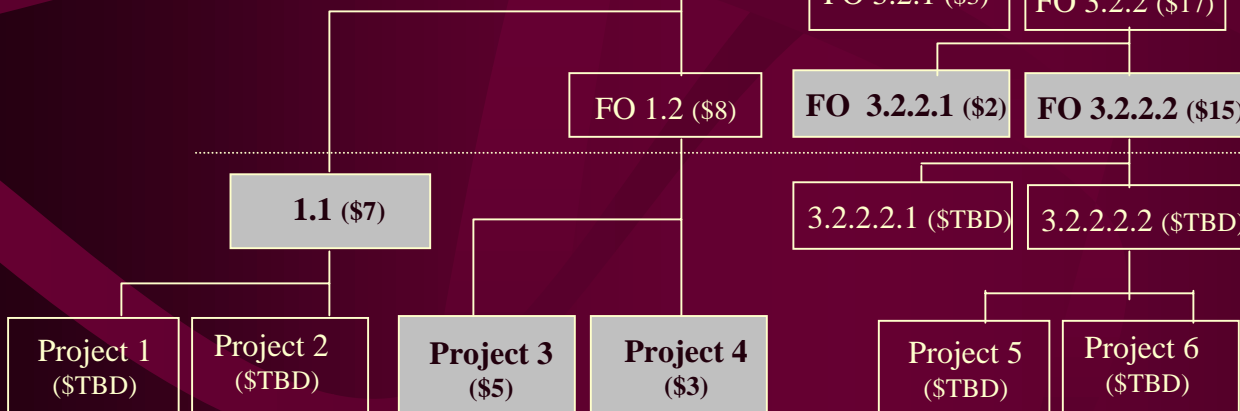
## Program Office Levels



## Field Office Levels



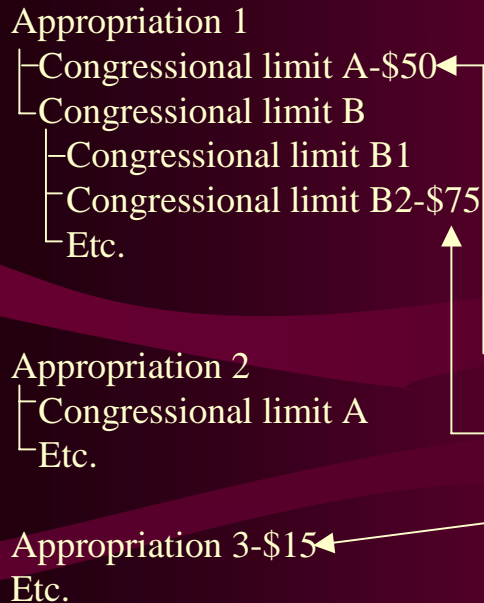
## Contractor Levels (Work/BA Assigned thru the Field Office)



# DOE programmatic Structure (DPS) Concept & Relationships

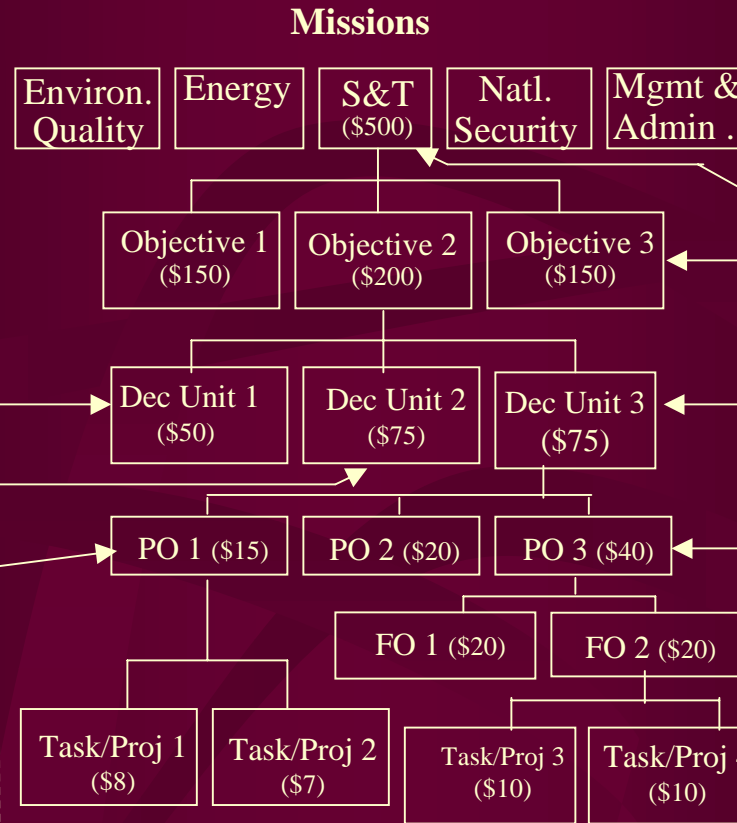
## Funding

### Congressional Appropriations



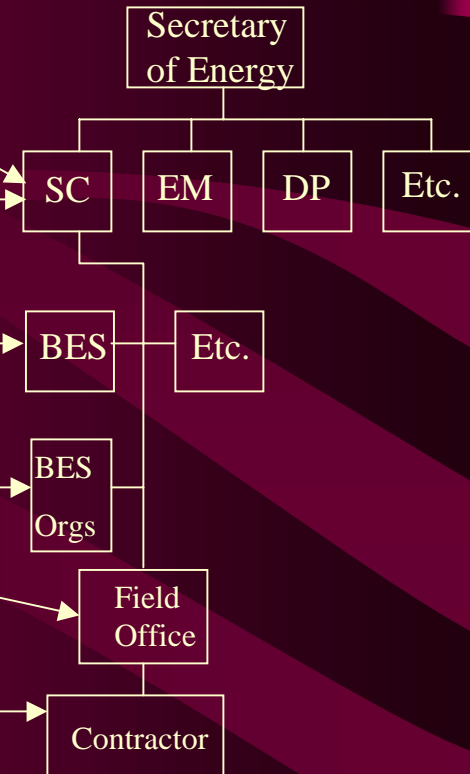
## Business Lines/Tasks

### DOE Programmatic Structure



## Responsibility

### DOE Organization Structure



- The DPS can be tied to Appropriation at any level (usually decision unit)
- Allows reporting up the DPS hierarchy to be segmented by responsible organizations (e.g., contractor, field office, program office, etc.)

# New DOE Business Structure - Summary

- Added flexibility & better reporting through a common process
  - Leverages power of relational databases
  - Allows Program Office specific practices (e.g., PBS can be tied to any level of the structure)
- No change in roles for Programs or Field Offices
  - Some change in form / practice
- Structure can easily be modified or realigned
- Will require some cultural change (e.g., Programs to forego the imbedded logic in the B&R)
- Will facilitate improvements in the Work Authorization process

# BMIS-FM Driven Impact on Major Operating Contractors (M&O/M&I)

# DOE Programmatic Structure

## Impact on Major Operating Contractors

- Unique project numbers assigned to all work
  - For a defined work scope
  - Project number remains constant across years and for changes in the structure
- Should lead to improvements in the work authorization process
- Monthly submittal will no longer carry as much key data as DISCAS (fewer edit/submittal problems)
- Increased number of records to DOE because of project number and cost element reporting
- Potentially significant cost to change contractor systems to accommodate new data feeds



# Major Operating Contractor Reporting

## Monthly Cost Element Detail

- Contractors would provide cost for each project by cost element (object class) and direct labor hours
  - Cost Elements: labor, materials, travel, subcontracts, internal services, other direct cost, and overhead
- A new requirement driven by a defined need from external stakeholder and the programs
- Cost element reporting is highly likely but dependent on cost/benefit assessment

# Contractor Cost Detail Illustration

- Example Report shows cost element detail for a Program Office DPS
- Similar report available for each Task/Project and Field Office DPS
- Report will also show funding DOE organization and who incurred the cost (e.g., the contractor)
- Ability to report current month, FYTD, and cumulative costs
- Since the data is in an electronic format, reports can be programmed to allow for drill down to lower levels

## DOE Cost Detail Report PO DPS 3.2.2.1 - Title Authorized \$20000

	<u>Hours</u>	<u>Amount</u>
<u>Direct Cost</u>		
Labor	100	5000
Travel		500
Materials		700
Subcontracts		2000
Internal Services		300
Other Direct Cost		<u>100</u>
Subtotal Direct Cost		8600
Overhead		<u>4400</u>
TOTAL		13000
Remaining Balance		7000
<u>DBS Detail:</u>		
Project or FO DPS 1 - Title		7000
Project or FO DPS 2 - Title		6000

# Major Operating Contractor New Data Feeds Institutional Cost

- Both a Functional cut and a Cost Element (object class) cut of institutional cost will be provided at least twice a year
- Standardizes institutional reporting on an input basis (e.g., before allocation of cost as overhead)
  - Compared to project detail which is after overhead allocation
- Submitted electronically and maintained in a relational database for easy reporting/analysis
  - Can be a standard electronic feed from any software (e.g., Access)
- Replaces a host of paper reports and ad hoc data requests
  - Intent is to eliminate several major crosscuts

# Institutional Reporting Illustrated

## Functional Cost Reporting Contractor A

### Functional Categories

Mission Direct	\$300
Administration	75
Finance	25
Executive Direction	10
Human Resources	15
Procurement	20
Program/Project Planning	40
Etc.	15
<b>TOTAL (for Contractor)</b>	<b>\$500</b>

**Totals  
Agree**

## Operating Cost Contractor A

### Cost Categories

<b>Salary - Regular</b>	<b>\$175</b>
<b>Salary - Overtime</b>	<b>5</b>
<b>Benefits - Employee</b>	<b>60</b>
<b>Post-retirement Benefits</b>	<b>20</b>
<b>Travel</b>	<b>15</b>
<b>Fee</b>	<b>7</b>
<b>Rent</b>	<b>40</b>
<b>Utilities</b>	<b>25</b>
<b>Subcontracts</b>	<b>100</b>
<b>Materials</b>	<b>30</b>
<b>Printing</b>	<b>10</b>
<b>Consultants</b>	<b>7</b>
<b>Etc.</b>	<b>6</b>
<b>TOTAL (for Contractor)</b>	<b>\$500</b>

- **Summaries of total contractor expenses by functional category and by cost element**
- **Cost is on an input basis (before allocation of overhead)**

# Reporting Change Recap

- Audit quality monthly cost by element (object class) for the entire DPS down to the project level (output basis)
- Audit quality detailed cost element information at the institutional level (input basis)
- Functional Cost data would remain at about 80% accuracy
  - Not audit quality
- Potential to combine some current crosscuts into functional cost
- Expands functional cost reporting to all major operating contractors

# Benefits of BMIS-FM

- Align financial information with the DOE Strategic Plan (even if it changes)
- Provides maximum flexibility for program and field offices (still constrained by Base Table)
- Implements good project management techniques
- More and better information for DOE management
- Structure better supports COTS project costing capabilities
- Substantially improved ability to report cost by business lines, objectives, DOE organization, appropriation, field structure and across fiscal years
- Major step towards compliance with GPRA & obtaining a clean audit opinion

# Benefits of New Structure - continued

- Potentially improves and streamlines the work authorization process
- Reduced and easier recasting (more one for one)
- Conforms to managerial cost accounting concepts promulgated by FASAB (Federal Accounting Standards Advisory Board)
- Supports use of a standard process for funding major operating contractors
- Allows budget authority to be granted to either the field or a contractor (via the field office, where appropriate) through a task authorization

# Open Issues

- How to handle work for Other Federal Agencies (OFA)
  - Order number will be used to establish a Project Number
  - Could be its own top level branch of the Business Structure
- How to handle Interoffice Work Orders (IWO's) and Memorandum Purchase Orders (MPO's)
- Multiple funding sources for a work scope
- Recording of non-fund transactions (e.g., depreciation, inventory adjustments, etc.)
- Treatment of fund inventory changes
- Remaining crosscuts



# Path Forward

- Preliminary approval by BMIS-FM Steering Committee - Completed
- Present concepts to Program Offices – In Process
- Present concepts to DOE Budget/Financial Community – In process
- Incorporate Feedback
- Final Approval by BMIS-FM Steering Committee
- Factor new structure into BMIS-FM implementation

# YOUR FEEDBACK?